

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Developing a Unified Inter-carrier	)	CC Docket No. 01-92
Compensation Regime	)	

**COMMENTS OF THE IOWA TELECOMMUNICATIONS ASSOCIATION**

**I. OVERVIEW AND INTRODUCTION**

The Iowa Telecommunications Association ("ITA") filed Initial Comments in this docket on May 23, 2005 and Reply Comments on July 20, 2005. On July 24, 2006, the National Association of Regulatory Utility Commissioners (NARUC) Task Force on Inter-carrier Compensation filed an inter-carrier compensation reform plan referred to as the Missoula Plan. The Commission, via a Public Notice released July 25, 2006, established a comment cycle on this Plan. At the request of NARUC, the Commission released an Order August 29, 2006 which extended the comment period so that comments on the Plan are due October 25, 2006 with Reply Comments to be submitted by December 11, 2006.

The Missoula Plan divides carriers into three Tracks based on the size and regulatory classification of the carrier. Track 3 includes the lines of the smallest rate of return regulated rural carriers. Nearly all of the carrier members of ITA are Track 3 companies,<sup>1</sup> and these comments will be limited exclusively to the application of the Missoula Plan to Track 3 carriers.

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<sup>1</sup> ITA is the nation's largest state telecommunications association with a membership of some 145 Iowa incumbent local exchange carriers, all of which serve small rural exchanges in the state of Iowa. Qwest, a Track 1 carrier, and Iowa Telecom, a Track 2 carrier, are not members. Frontier, an ITA member that would be a Track 2 carrier under the Plan has concerns with the Plan and will file its own comments with the Commission. Additionally, many Track 3 members of ITA may join in the comments of the Rural ILECs.

## II. THE ITA SUPPORTS THE MISSOULA PLAN

As the Commission recognized in its Public Notice of July 25, 2006, "The Missoula Plan is the product of a three-year process of industry negotiations lead by NARUC." As the July 18, 2006 transmittal letter from the Missoula Plan Supporters to Ray Baum, NARUC Task Force Chair, stated "...carriers throughout the industry have come together, despite their exceptionally diverse positions and interests..."

In a Plan hammered out through lengthy negotiations of such diverse interests, the product must of necessity be the product of mutual give and take and ultimate compromises. As with any compromise plan, parties can be critical of those parts which do not serve their best interests. However, this Plan must be viewed as a whole and evaluated in the light of its ability to reasonably accommodate the purposes for which this docket has been opened - principally to reduce and eliminate regulatory disparities between intercarrier rate levels and to minimize arbitrage opportunities and competitive distortions.

The ITA believes that the Missoula Plan sufficiently accommodates the ITA concerns for intercarrier compensation reform articulated in its Comments submitted May 23, 2005. The principles articulated there included:

1. Any reform should recognize that networks have value and carriers have a right to be compensated for the use of their networks based on embedded costs.
2. Any reform must attempt revenue neutrality with an appropriate transition period to ensure continued rural investment and avoid undue rate shock to rural customers or unnecessary additional pressures on the universal service funding mechanisms.

3. Any reform should seek a rate structure that minimizes arbitrage, allocates appropriate costs to the cost causer, and recognizes new technologies.
4. Any reform must recognize the impact of NECA pooling.
5. Any reform must recognize the benefits provided by centralized equal access (CEA).
6. Any reform must address interconnection issues unique to rural LECs.
7. Any reform must address the continuing pressures placed on the high cost portion of the universal service fund.

The ITA concludes that the Missoula Plan adequately addresses these objectives. As such, ITA encourages the Commission to review the Missoula Plan in a unitary approach and not to evaluate and carve out any elements of the Plan. The various elements constitute appropriate tradeoffs of the various parties to realize a balanced plan which has not been wholly acceptable to any party but results in an acceptable negotiated plan to the diverse and representative range of supporters for this Plan for intercarrier compensation reform.

### **III. PRE-EMINENCE OF THE RESTRUCTURING MECHANISM**

The ultimate revenue direction of the Plan in moving intercarrier rates to interstate levels results in a significant decline in revenues to the Iowa Track 3 carriers. The ITA cannot support the Plan if the access revenue decline impairs the ability of the Track 3 carriers to recover their costs and make the necessary investments to provide quality service in the rural exchanges of Iowa. The Iowa rural carriers have not only maintained parity in the price and quality of service to rural customers as is provided to urban customers, but have provided leadership in the provision of advanced services to their customers. The Iowa rural LECs, under the current

intercarrier compensation system, have invested heavily in their networks to bring advanced services at affordable rates to their customers. Without adequate compensation for the use of those networks, rural LECs will not be able to continue to upgrade, invest and deliver those advanced services to Iowans.

Under the Missoula Plan, there are two elements to provide revenue neutrality for Track 3 carriers. These include increases to the federal Subscriber Line Charge (SLC) as well as what is defined as a Restructure Mechanism. SLC charges are obviously end user charges and are limited in their ability to provide full recovery of lost revenues. The Restructure Mechanism thus becomes a critical element in providing access charge replacement revenue for the Track 3 rural carriers.

ITA urges the Commission to adopt rules to create a stable and predictable revenue source with a sufficiently broad contribution base to assure the ability of the Restructuring Mechanism to meet the revenue neutrality goals established by the Plan. Secondly, the distribution methodology must ensure that the Restructure Mechanism dollars determined under the Plan be directed specifically to the carriers who have experienced the lost revenues as defined through the restructure mechanism calculations. Any administrative costs must be covered in the funding mechanism and there cannot be a reallocation of any dollars to carriers other than those who have experienced the revenue loss.

While the ITA is aware that there are debates concerning whether the Restructure Mechanism is an access element or one of universal service, ITA is of the opinion that as a matter of definition and policy, the mechanism is related to access charges and not to universal service. The Restructure Mechanism is provided principally to replace lost access revenues. The whole purpose of the mechanism is to replace actually experienced lost revenues. The specific

revenue recovery for primarily access charge loss in the Restructure Mechanism is far more specifically tailored than the seemingly ever broadening, ever expanding USF program.

#### **IV. EMPHASIS ON PHANTOM TRAFFIC**

The ability of a carrier to originate traffic on the public switched network for termination on another carrier's network without the ability to identify the carrier responsible to pay the terminating carrier for the use of its network must be of concern to the entire industry and each and every carrier who can terminate traffic. Unfortunately, the problem for LECs to be able to identify the source of traffic terminated to its network and be able to bill the appropriate party for that traffic has not abated.

Ultimately, originating carriers must be held accountable for the ability to identify their traffic placed on the public switched network or that traffic should simply not have the ability to move on the network anymore than if it did not have a recognizable NPA/NXX. The ITA supports the Missoula Plan's proposal to attempt to resolve the phantom traffic issue. ITA suggests that enforcement of methods to identify traffic is crucial to an effective solution, and we urge the Commission to adopt rules which will provide enforcement so that the parties responsible to pay for the termination of traffic can be identified and properly billed.

#### **V. SUPPORT OF NECA POOLING**

The Plan specifically provides at Page 18 that "The NECA pool can be utilized as a way of unifying access rates for Track 3 carriers." The rural Iowa LECs have long participated in NECA pooling. Maintenance of the NECA pooling would be necessary to maintain revenue

stability for these companies. The Missoula Plan does not adversely affect NECA pooling and that is a critical element for Iowa companies.

#### **VI. CONSUMER IMPACTS OF THE SLC CHARGE**

The ITA recognizes that the Plan calls for an increase in end-user charges. The SLC would be increased for residential and single line business by \$2.25 over three years to the amount of \$8.75 while the multi-line business rate would remain at \$9.20. Whether and to what extent consumers will see a corresponding toll rate reduction is beyond the control of the LECs but could be reviewed and monitored by the regulatory bodies.

#### **VII. CENTRALIZED EQUAL ACCESS**

The Missoula Plan makes no reference to centralized equal access carriers. To the extent that the exclusion of CEA from discussion is interpreted to mean that CEA carriers are unaffected by the Missoula Plan, ITA supports that proposition. The rural Iowa LECs formed Iowa Network Services to be a centralized equal access carrier. This allows the rural companies to provide their customers with better service and access to more carriers. ITA urges the Commission to not enact any rules that would have an adverse impact on the centralized equal access carriers.

#### **VIII. IMPLEMENTATION BY THE STATES**

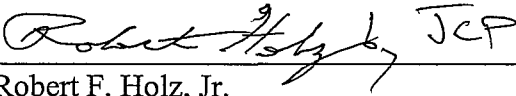
The Plan provides for certain aspects which are voluntary to the states. The Plan itself does not provide for timeframes for state evaluation and determination. The Commission will need to develop an implementation schedule and allow an appropriate amount of time for the

states to conduct their own proceedings concerning adoption of the Plan as approved by the Commission.

**IX. CONCLUSION**

The ITA supports the Missoula Plan as it relates to the Track 3 carriers.

Respectfully submitted,

By:  JCP

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